濱 海 投 資 有 限 公 司

**BINHAI INVESTMENT COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 2886)**

# FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

## FINANCIAL HIGHLIGHTS

| | **Year ended 31 December 2013** *HK$'000* | Nine months ended 31 December 2012 *HK$'000* | Percentage Change | Year ended 31 December 2012 (Annualized) *HK$'000* | Percentage Change |
|---|---|---|---|---|---|
| Revenue | **2,229,133** | 1,206,285 | 85% | 1,608,380 | 39% |
| Gross profit | **459,299** | 232,330 | 98% | 309,773 | 48% |
| Profit for the period | **141,262** *(Note)* | 92,471 | 53% | 123,295 | 15% |
| Basic earnings per share attributable to owners of the Company during the period | **1.2 cents** | 0.8 cent | 0.4 cent | 1.0 cent | 0.2 cent |

| | **31 December 2013** *HK$'000* | 31 December 2012 *HK$'000* | Percentage Change |
|---|---|---|---|
| Total assets | **3,847,329** | 3,220,300 | 19% |
| Total equity | **872,095** | 711,012 | 23% |
| Total liabilities | **2,975,234** | 2,509,288 | 19% |

*Note:*

On 5 August 2013, the Company issued the convertible bonds due in 2016 in an aggregate principal amount of HK$310,000,000.

The charge in the fair value of the conversion option from 5 August 2013 to 31 December 2013 resulted in a fair value loss of HK$53 million, which has been recorded in the consolidated income statement for the year ended 31 December 2013.

## ANNUAL RESULTS

The board (the "Board") of directors (the "Directors", individually a "Director") of Binhai Investment Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (thereafter collectively referred to as the "Group") for the year ended 31 December 2013, together with the audited comparative figures for the nine months ended 31 December 2012 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2013*

| | *Note* | **Year ended 31 December 2013** ***HK$'000*** | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **2,229,133** | 1,206,285 |
| Cost of sales | *6* | **(1,769,834)** | (973,955) |
| **Gross profit** | | **459,299** | 232,330 |
| Reversal of impairment | | **7,586** | 26,521 |
| Administrative expenses | *6* | **(167,508)** | (104,115) |
| Other income and losses — net | *5* | **(18,588)** | (6,498) |
| | | **280,789** | 148,238 |
| Finance costs — net | *7* | **(67,223)** | (25,828) |
| Share of losses of investments accounted for using the equity method | | **(33)** | (477) |
| **Profit before income tax** | | **213,533** | 121,933 |
| Income tax expenses | *8* | **(72,271)** | (29,462) |
| **Profit for the year/period** | | **141,262** | 92,471 |
| **Attributable to:** | | | |
| — Owners of the Company | | **135,722** | 89,615 |
| — Non-controlling interests | | **5,540** | 2,856 |
| | | **141,262** | 92,471 |
| **Earnings per ordinary share** | | | |
| — basic *(HK cents)* | *9* | **1.2 cents** | 0.8 cent |
| — diluted *(HK cents)* | | **1.2 cents** | 0.8 cent |
| Dividends | *10* | **30,384** | — |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

| | **Year ended 31 December 2013** | Nine months ended 31 December 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Comprehensive income** | | |
| Profit for the year/period | **141,262** | 92,471 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss* | | |
| Currency translation differences | **18,653** | 7,005 |
| **Total comprehensive income for the year/period** | **159,915** | 99,476 |
| **Attributable to:** | | |
| — Owners of the Company | **153,777** | 96,166 |
| — Non-controlling interests | **6,138** | 3,310 |
| **Total comprehensive income for the year/period** | **159,915** | 99,476 |

**CONSOLIDATED BALANCE SHEET**

*As at 31 December 2013*

| | Note | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **48,098** | 48,390 |
| Property, plant and equipment | | **2,250,548** | 1,792,701 |
| Investments accounted for using the equity method | | **45,781** | 19,679 |
| Deferred income tax assets | | **8,924** | 8,678 |
| | | **2,353,351** | 1,869,448 |
| **Current assets** | | | |
| Inventories | | **49,344** | 70,975 |
| Trade and other receivables | *11* | **594,117** | 351,058 |
| Amount due from immediate holding company | | **1,368** | 3,636 |
| Restricted cash | | **6,368** | 31,074 |
| Cash and cash equivalents | | **685,086** | 818,231 |
| | | **1,336,283** | 1,274,974 |
| Asset held for sale | | **157,695** | 75,878 |
| | | **1,493,978** | 1,350,852 |
| **Total assets** | | **3,847,329** | 3,220,300 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | | |
| — Ordinary shares | | **59,955** | 59,928 |
| — Convertible preference shares | | **170,000** | 170,000 |
| — Redeemable preferences shares | | **430,000** | 430,000 |
| Share premium | *12* | **1,141** | 424,737 |
| Others reserves | *12* | **(56,574)** | 111,523 |
| Retained earnings/(accumulated losses) | | **243,141** | (503,470) |
| | | **847,663** | 692,718 |
| **Non-controlling interests** | | **24,432** | 18,294 |
| **Total equity** | | **872,095** | 711,012 |

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2013*

| | Note | **31 December 2013** *HK$'000* | 31 December 2012 *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **1,496,829** | 1,062,497 |
| Derivative financial instruments | | **149,206** | 24,337 |
| | | **1,646,035** | 1,086,834 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **1,005,629** | 784,953 |
| Current income tax liabilities | | **58,564** | 43,604 |
| Borrowings | | **265,006** | 593,897 |
| | | **1,329,199** | 1,422,454 |
| **Total liabilities** | | **2,975,234** | 2,509,288 |
| **Total equity and liabilities** | | **3,847,329** | 3,220,300 |
| **Net current assets/(liabilities)** | | **164,779** | (71,602) |
| **Total assets less current liabilities** | | **2,518,130** | 1,797,846 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

| | Attributable to Owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Other reserves *(Note 12)* HK$'000 | Retained earnings/ (accumulated losses) HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| **Balance at 1 April 2012, as previously reported** | 659,928 | 424,737 | 121,946 | (592,238) | 614,373 | 14,984 | 629,357 |
| Common control business combination *(Note 3)* | — | — | 65,380 | (847) | 64,533 | — | 64,533 |
| **Balance at 1 April 2012** | 659,928 | 424,737 | 187,326 | (593,085) | 678,906 | 14,984 | 693,890 |
| **Comprehensive income** | | | | | | | |
| Profit for the period | — | — | — | 89,615 | 89,615 | 2,856 | 92,471 |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences | — | — | 6,551 | — | 6,551 | 454 | 7,005 |
| **Total comprehensive income for the period** | — | — | 6,551 | 89,615 | 96,166 | 3,310 | 99,476 |
| Common control business combination *(Note 3)* | — | — | (82,354) | — | (82,354) | — | (82,354) |
| **Balance at 31 December 2012** | 659,928 | 424,737 | 111,523 | (503,470) | 692,718 | 18,294 | 711,012 |
| **Balance at 1 January 2013** | **659,928** | **424,737** | **111,523** | **(503,470)** | **692,718** | **18,294** | **711,012** |
| **Comprehensive income** | | | | | | | |
| Profit for the year | **—** | **—** | **—** | **135,722** | **135,722** | **5,540** | **141,262** |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences | **—** | **—** | **18,055** | **—** | **18,055** | **598** | **18,653** |
| **Total comprehensive income for the year** | **—** | **—** | **18,055** | **135,722** | **153,777** | **6,138** | **159,915** |
| Ordinary shares issued for exercising of conversion rights | **27** | **1,141** | **—** | **—** | **1,168** | **—** | **1,168** |
| Set-off and elimination the accumulated losses | **—** | **(424,737)** | **(184,709)** | **609,446** | **—** | **—** | **—** |
| Forfeiture of employee share options | **—** | **—** | **(1,443)** | **1,443** | **—** | **—** | **—** |
| **Total transfers with owners, recognised directly in equity** | **27** | **(423,596)** | **(186,152)** | **610,889** | **1,168** | **—** | **1,168** |
| **Balance at 31 December 2013** | **659,955** | **1,141** | **(56,574)** | **243,141** | **847,663** | **24,432** | **872,095** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2013*

### 1. GENERAL INFORMATION

Binhai Investment Company Limited (the "Company") was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries are hereafter together referred to as the Group.

For purpose of these financial statements, the Directors regard Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") as being the ultimate holding company.

Up to 10 February 2014, the Company's ordinary shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 28 November 2013, an application was made by the Company to the Stock Exchange for the transfer of listing of its ordinary shares from GEM to the Main Board of the Stock Exchange ("Main Board"). The approval was granted by the Stock Exchange on 30 January 2014 for its ordinary shares to be listed on the Main Board and de-listed from GEM effective 10 February 2014.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to a resolution of the Board dated 8 November 2012, the financial year end date of the Group was changed from 31 March to 31 December to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China ("the PRC"), and thereby facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers a twelve-month period from 1 January 2013 to 31 December 2013 (twelve month period) and the comparative financial period covers a nine-month period from 1 April 2012 to 31 December 2012 (nine month period). The comparative figures for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes thereto are not comparable.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

**Changes in accounting policies and disclosures**

(a) New and amended standards adopted by the Group:

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to HKAS 1, "Financial statement presentation" regards other comprehensive income. The main change resulting from these amendments is a requirement for entities to Group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11, "Joint arrangements" focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKAS 28, (revised 2011), "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

(b) The following new standards and amendments to standards which are relevant to the Group and are mandatory for the first time for the financial year beginning 1 January 2013 but have no material impact on the Group:

- Amendment to HKFRS 1, "First time adoption", on government loans
- Annual improvements 2011
- HKAS 27, (revised 2011), "Separate financial statements"
- HKFRS 13, "Fair value measurements"
- Amendment to HKAS 19, "Employee benefits"
- HKFRS 7, "Financial instruments: Disclosures" on asset and liability offsetting
- HK(IFRIC) — Int 20, "Stripping costs in the production phase of a surface mine"
- Annual improvement 2012 — Amendment to HKFRS 13, "Fair value measurement"
- Annual improvement 2013 — Amendment to HKFRS 1, "First time adoption"

(c) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- Amendment to HKAS 32, "Financial instruments: Presentation" on asset and liability offsetting[1]
- Amendments to HKFRS 10, 12 and HKAS 27, "Consolidation for investment entities"[1]
- Amendment to HKAS 36, "Impairment of assets" on recoverable amount disclosures[1]
- Amendment to HKAS 39, "Financial Instruments: Recognition and Measurement" — "Novation of derivatives"[1]
- HK(IFRIC)21, "Levies"[1]
- Amendment to HKAS 19, "Employee benefits" regarding defined benefit plans[2]
- Annual improvements 2012[2]
- Annual improvements 2013[2]
- HKFRS 9, "Financial Instruments"[3]

[1] Changes effective for annual periods beginning on or after 1 January 2014.
[2] Changes effective for annual periods beginning on or after 1 July 2014.
[3] Changes effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of assessing the impact of these new standards, interpretations and amendments. None of these is expected to have a significant effect on the results and financial position of the Group.

## 3. BUSINESS COMBINATION

On 26 October 2012, the Group entered into agreements with TEDA Hong Kong Property Company Limited ("TEDA HK"), the immediate holding company of the Group, and its subsidiary to purchase of six entities ("Six Subsidiaries") held by TEDA HK at a consideration of RMB66,124,793 (equivalent to approximately HK$82,354,000). The acquisition was completed during the period ended 31 December 2012.

The acquisition has been accounted for as a common control combination for which the Company applies the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants in preparing the consolidated financial statements. The comparative figures for nine months ended 31 December 2012 has been prepared on the basis as if the current Group structure had been in existence throughout the periods presented.

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets as at 31 December 2012.

The condensed consolidated balance sheet as at 31 December 2012:

| | **The Group before the repurchase** | **Six entities before repurchase** | **Adjustments** | **Consolidated** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Net assets | 715,136 | 78,230 | (82,354) | 711,012 |
| Share capital | 659,928 | 76,524 | (76,524) | 659,928 |
| Share premium | 424,737 | — | — | 424,737 |
| Retained earnings | (512,983) | (345) | 9,858 | (503,470) |
| Other reserves | 125,551 | 2,051 | (16,079) | 111,523 |
| Non-controlling interests | 17,903 | — | 391 | 18,294 |
| | 715,136 | 78,230 | (82,354) | 711,012 |

*Note:*

(i) The above adjustments represent elimination of investment in the combining entities against share capital, reserves and retained earnings.

(ii) No other significant adjustments were made to the net assets and net profit or loss of any entities as a result of the common control combination to achieve consistent accounting policies.

## 4. SEGMENT INFORMATION

The Group currently organises its operations into four reportable operating segments. The principal activities of the reportable segments are as follows:

| | | |
|---|---|---|
| On-site gas sales | — | Wholesale of liquefied petroleum gas ("LPG") to individual agents directly from the suppliers' depots |
| Bottled gas sales | — | Sales of bottled gas |
| Piped gas sales | — | Sales of piped gas through the Group's pipeline networks |
| Connection service | — | Construction of gas pipelines and installation of appliances to connect customers to the Group's pipeline networks under connection contracts |

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the "Executive Directors").

The Executive Directors assess the performance of the operating segments based on segment results. Segment results are measured as gross profit of each segment.

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

All of the Group's revenue is generated in the PRC (place of domicile of the group entities that derive revenue). Save for Tianjin Pipe Group Corporation ("Tianjin Pipe"), a related party of the Group, which contributed sales of 16% of the total revenue of the Group (Nine months ended 31 December 2012: 14%), there was no other individual customer of the Group which contributed sales of over 10% of the Group's total revenue for the period ended 31 December 2013.

| | Year ended 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | **On-site gas sales** *HK$'000* | **Bottled gas sales** *HK$'000* | **Piped gas sales** *HK$'000* | **Connection services** *HK$'000* | **Total** *HK$'000* |
| **Revenue** | | | | | |
| — Tianjin TEDA Tsinlien Gas Co., Ltd. ("TEDA Gas"), Tianjin Eco-city Energy Investment Construction Co., Ltd. ("Tianjin Eco-city"), Tianjin Pipe and its associates | — | — | 564,801 | — | 564,801 |
| — Other customers | 275,929 | 18,575 | 834,781 | 535,047 | 1,664,332 |
| **Revenue from external customers** | 275,929 | 18,575 | 1,399,582 | 535,047 | 2,229,133 |
| **Segment results** | 1,541 | 1,438 | 110,670 | 345,650 | 459,299 |
| — Reversal of impairment charge — net | | | | | 7,586 |
| — Other income and losses — net | | | | | (18,588) |
| — Administrative expenses | | | | | (167,508) |
| — Finance costs — net | | | | | (67,223) |
| — Share of losses of investments accounted for using the equity method | | | | | (33) |
| **Profit before income tax** | | | | | 213,533 |
| Other information for reportable segments: | | | | | |
| Depreciation | (1,141) | (132) | (59,021) | (975) | (61,269) |
| Amortisation | (144) | (10) | (733) | (280) | (1,167) |

| | Nine months ended 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | On-site gas sales | Bottled gas sales | Piped gas sales | Connection services | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | | | | | |
| — TEDA Gas, Tianjin Eco-city, Tianjin Pipe and its associates | — | — | 282,741 | — | 282,741 |
| — Other customers | 171,449 | 14,441 | 462,526 | 275,128 | 923,544 |
| **Revenue from external customers** | 171,449 | 14,441 | 745,267 | 275,128 | 1,206,285 |
| **Segment results** | 1,677 | (577) | 53,539 | 177,691 | 232,330 |
| — Reversal of impairment charge — net | | | | | 26,521 |
| — Other income and losses — net | | | | | (6,498) |
| — Administrative expenses | | | | | (104,115) |
| — Finance costs — net | | | | | (25,828) |
| — Share of losses of investments accounted for using the equity method | | | | | (477) |
| **Profit before income tax** | | | | | 121,933 |
| Other information for reportable segments: | | | | | |
| Depreciation | (386) | (96) | (36,413) | (623) | (37,518) |
| Amortisation | (121) | (10) | (525) | (192) | (848) |

## 5. OTHER INCOME AND LOSSES – NET

| | **Year ended 31 December 2013** *HK$'000* | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|
| **Other income** | | |
| Income from management of Disposed Subsidiaries *(Note)* | — | 522 |
| Income from management of TEDA Gas | — | 627 |
| Assembling service | **3,388** | 1,781 |
| | **3,388** | 2,930 |
| **Other gains or losses — net:** | | |
| Commission on asset disposal entrustment in respect of certain former subsidiaries | **18,909** | — |
| Loss on disposal of property, plant and equipment | **(208)** | (965) |
| Gain on liquidation of subsidiaries | **1,098** | 2,484 |
| Fair value loss on derivative financial instruments — net | **(44,106)** | (12,732) |
| Others | **2,331** | 1,785 |
| | **(21,976)** | (9,428) |
| | **(18,588)** | (6,498) |

*Note:*

The Group disposed 30 of its subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited, the then nominee major shareholder of the Group, on 4 May 2009. Following the completion of the disposal and pursuant to a management agreement, the Group continued to manage these Disposed Subsidiaries. The agreement had expired during the year 2013.

## 6. EXPENSES BY NATURE

| | **Year ended 31 December 2013** *HK$'000* | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|
| Cost of gas purchased | **1,432,958** | 787,977 |
| Changes in inventories | **(1,181)** | 117 |
| Cost of pipeline materials | **60,151** | 47,387 |
| Subcontractor and other costs | **122,484** | 42,933 |
| Employee benefit expense | **146,936** | 83,177 |
| Depreciation | | |
| — Cost of sales | **57,205** | 34,786 |
| — Administrative expenses | **4,064** | 2,732 |
| Operating lease rental | | |
| — TEDA | **—** | 2,504 |
| — Others | **10,615** | 4,480 |
| Reversal of over accrued construction costs *(Note)* | **—** | (3,438) |
| (Reversal of)/provision for impairment of trade and other receivables — net | **(352)** | 3,987 |
| Amortisation | **1,167** | 848 |
| Auditor's remuneration | **3,593** | 3,770 |
| Other professional fees | **14,921** | 10,682 |
| Others | **84,781** | 56,128 |
| Total cost of sales and administrative expenses | **1,937,342** | 1,078,070 |

*Note:*

The reversal was related to over accrued construction costs of connection service projects which have been completed.

## 7. FINANCE COSTS — NET

| | **Year ended 31 December 2013** *HK$'000* | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|
| Interest on bank borrowings wholly repayable within 5 years | **65,682** | 43,368 |
| Interest on RMB bonds wholly repayable within 5 years | **45,042** | 7,577 |
| Interest expense on convertible bonds | **11,600** | — |
| Other borrowing costs | **545** | 205 |
| Interest on amounts due to TEDA | **—** | 135 |
| Net foreign exchange gains on financing activities | **(16,832)** | (3,027) |
| **Finance costs** | **106,037** | 48,258 |
| *Less:* Amounts capitalised as part of the cost of property, plant and equipment *(Note)* | **(28,667)** | (18,272) |
| Total finance costs | **77,370** | 29,986 |
| **Finance income** | **(10,147)** | (4,158) |
| **Net finance costs** | **67,223** | 25,828 |

*Note:*

Amount included finance costs from general borrowings capitalised at a rate of 7.01% (Nine months ended 31 December 2012: 7.17%).

## 8. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (Nine months ended 31 December 2012: Nil).

Subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at the rate rang of 25% (Nine months ended 31 December 2012: 25%).

| | **Year ended 31 December 2013** *HK$'000* | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year/period | **72,271** | 32,699 |
| Deferred tax: | | |
| Tax losses | **—** | (3,237) |
| **Income tax expenses** | **72,271** | 29,462 |

*Note:*

The tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the statutory enterprise income tax rate applicable to profits of the consolidated entities as follows:

| | **Year ended 31 December 2013** *HK$'000* | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|
| Profit before income tax | **213,533** | 121,933 |
| Tax calculated at the respective applicable tax rates | **59,782** | 31,326 |
| Expenses not deductible for taxation purposes | **11,089** | 6,578 |
| Tax losses for which no deferred income tax asset was recognised | **14,843** | 494 |
| Income not subject to tax | **(12,657)** | (7,737) |
| Utilisation of previously unrecognised tax losses | **(786)** | (1,199) |
| **Tax charge** | **72,271** | 29,462 |

## 9. EARNINGS PER SHARE

### (a) Basic

The calculation of the basic and diluted earnings per share is based on the following data:

| | Year ended 31 December 2013 *HK$'000* | Nine months ended 31 December 2012 *HK$'000* |
|---|---|---|
| **Earnings** | | |
| Profit attributable to owners of the Company | **135,722** | 89,615 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)* | **11,659,627,161** | 11,659,478,667 |

*Note:*

The calculation has taken into account the 5,666,666,666 new ordinary shares to be issued upon the conversion of the 170 million convertible preference shares as these preference shares will be automatically converted into ordinary shares of the Company by the tenth anniversary of issue.

On 12 December 2013, conversion rights in respect of the convertible bonds in the principal amount of HK$1,000,000 were exercised, pursuant to which 2,710,027 new ordinary shares were issued.

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense and fair value of derivative component less the tax effect, where applicable. The exercise of share option would have no material dilutive effect to the earnings per share. Since the impact of conversion of convertible bonds on earning per share is anti-dilutive for the year ended 31 December 2013 diluted earnings per share equalled to basic earnings per share.

## 10. DIVIDENDS

No dividend was proposed in respect of the nine months ended 31 December 2012.

A dividend in respect of the year ended 31 December 2013 of HK$0.005 per ordinary share, amounting to a total dividend of no less than HK$30,384,114.20 (based on 6,076,822,840 ordinary shares in issue as of the date of the announcement), is recommended by the Directors on 19 March 2014. These financial statements do not reflect this dividend payable.

## 11. TRADE AND OTHER RECEIVABLES

| | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 |
|---|---|---|
| Trade receivables | **310,957** | 206,795 |
| *Less:* Provision for impairment of trade receivables | **(48,923)** | (44,319) |
| | **262,034** | 162,476 |
| Notes receivables | **91,520** | 18,582 |
| | **353,554** | 181,058 |
| Advances to suppliers | **195,657** | 173,248 |
| *Less:* Provision for impairment | **(82,666)** | (84,821) |
| | **112,991** | 88,427 |
| Prepayments and other receivables | **56,436** | 55,571 |
| *Less:* Provision for impairment | **(8,220)** | (7,156) |
| | **48,216** | 48,415 |
| Receivables from related parties | **79,356** | 33,158 |
| | **594,117** | 351,058 |

*Note:*

The Group credit sales are generally on a credit term of three months to a year. Aging analysis of the trade receivables is as follows:

| | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 |
|---|---|---|
| 0 — 90 days | **173,383** | 97,751 |
| 91 — 180 days | **31,079** | 32,030 |
| 181 — 360 days | **32,166** | 19,512 |
| Over 360 days | **74,329** | 57,502 |
| | **310,957** | 206,795 |
| *Less:* Provision for impairment of trade receivables | **(48,923)** | (44,319) |
| | **262,034** | 162,476 |

## 12. OTHER RESERVES AND SHARE PREMIUM

| | Contributed surplus (Note (i)) HK$'000 | Exchange reserve (Note (ii)) HK$'000 | Statutory reserves (Note (iii)) HK$'000 | Employee share option reserve HK$'000 | Others (Note (iv)) HK$'000 | Total HK$'000 | Share premium HK$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Balance at 1 April 2012, as previously reported** | 28,800 | (90,778) | 2,561 | 21,363 | 160,000 | 121,946 | 424,737 |
| Common control business combination *(Note 3)* | — | 2,195 | — | — | 63,185 | 65,380 | — |
| **Balance at 1 April 2012, as previously restated** | 28,800 | (88,583) | 2,561 | 21,363 | 223,185 | 187,326 | 424,737 |
| Translation differences | — | 6,551 | — | — | — | 6,551 | — |
| Common control business combination *(Note 3)* | — | — | — | — | (82,354) | (82,354) | — |
| **Balance at 31 December 2012** | 28,800 | (82,032) | 2,561 | 21,363 | 140,831 | 111,523 | 424,737 |
| Translation differences | — | 18,055 | — | — | — | 18,055 | — |
| Set-off and elimination of the accumulated losses *(Note (v))* | (24,709) | — | — | — | (160,000) | (184,709) | (424,737) |
| Forfeiture of employee share options | — | — | — | (1,443) | — | (1,443) | — |
| Issuance of shares on conversion of convertible bonds | — | — | — | — | — | — | 1,141 |
| **Balance at 31 December 2013** | 4,091 | (63,977) | 2,561 | 19,920 | (19,169) | (56,574) | 1,141 |

*Notes:*

(i) Contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganization on 26 February 2000 in preparation for the listing of the Company's shares on SEHK and the nominal value of the Company's shares issued in exchange therefore.

(ii) The exchange reserve arose upon translation of the consolidated financial statements from the functional to the presentation currency.

(iii) In accordance with the relevant PRC regulations, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the board of Directors of each of the subsidiaries) of their profits after tax (as determined in accordance with PRC generally accepted accounting principles), if any, to the statutory reserves. The statutory reserves can be used to offset accumulated losses or to increase capital upon approval by their respective board of Directors. The statutory reserves are not distributable unless the respective subsidiaries in the PRC are dissolved.

(iv) Amounts represented difference between capitalised debt and par value of convertible preference shares issued in 2009 and merger reserve resulted from common control business combination (Note 3).

(v) A special general meeting of the shareholders was held on 8 November 2013. The shareholders resolved to set-off and eliminate the accumulated losses of the Company in the amount of HK$628,193,531 with the amount of HK$424,737,296 standing to the credit of the share premium account as at 31 December 2012 from HK$424,737,296 to nil, the amount of HK$43,456,235 standing to the credit of the contributed surplus account as at 31 December 2012 from HK$47,547,866 to HK$4,091,631 and the amount of HK$160,000,000 from the item "others" standing to the credit of the other reserves account as at 31 December 2012 from HK$160,000,000 to nil. This would streamline the accounts of the Company and enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the directors consider it appropriate.

## 13. TRADE AND OTHER PAYABLES

| | **31 December 2013** | 31 December 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **340,372** | 250,549 |
| Advance from customers | **105,987** | 134,737 |
| Other payables | **509,422** | 364,332 |
| Accrued expenses | **41,939** | 28,508 |
| Amounts due to related parties | **7,909** | 6,827 |
| | **1,005,629** | 784,953 |

*Notes:*

At 31 December 2013, the ageing analysis of the trade payables based on invoice date is as follows:

| | | **31 December 2013** | 31 December 2012 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| 0 — 90 days | | **123,454** | 87,381 |
| 91 — 180 days | | **73,753** | 32,895 |
| 181 — 360 days | | **34,618** | 36,896 |
| Over 360 days | | **108,547** | 93,377 |
| | | **340,372** | 250,549 |

## PERFORMANCE REVIEW

2013 is the third year of the implementation of China's "Twelfth Five-year Plan". The continuous economic growth, the urbanization and industrialization of China have further increased the demand for energy. The continuing smog weather in mainland China has alarmed the government and the whole society to place air pollution control as the most important issue to people's livelihood and the society. As such, the fire coal control measures taken by the Chinese government have largely increased the need for natural gas on the basis of the original gas plan. This has promised a very grand prospect for the development of the natural gas industry. The Group maintained its dedication to the sustainable and continuous development of its gas business through focusing on market expansion in Tianjin Binhai New Area, accelerating the integration and optimization of other cities' resources and further improving its management system. Through the joint effort of its management and staff, the Group has achieved rapid sustainable growth of business for the fifth consecutive year.

The year 2013 also witnessed profound growth of the Group. Through strenuous efforts, the Group has laid a more solid foundation for the realization of faster development, including:

- On the basis of the general layout of main pipeline network in our key business region, Tianjin Binhai New Area, in the last fiscal year, the Group endeavored to expand the potential gas consumption operation region, including Lingang Economic Zone in Tianjin Binhai New Area, and Tianjin Huaming Industry Park, etc.. Gas supply contracts have also been concluded with Tianjin Bohua Petrochemical Company Limited, Tianjin LG Bohai Chemical Company Limited and other major industrial clients, which will motivate the increase in revenue and profit.

- As an inter-districts enterprise, the Group has supported the operation areas outside Tianjin Binhai New Area by connecting energy sources, establishing new construction of gas pipeline network, and expanding new areas actively. The development of several subsidiaries in other cities including Yizheng and Zhuozhou has been very promising.

- In August 2013, the Company issued HK$310,000,000 1.0% Convertible Bonds due 2016 (the "Convertible Bonds"). In addition to raising funds, the Company attracted independent and significant investors who share their business vision with and add considerable value to the Company by bringing international best practices in business strategy and corporate governance. The issuance of the Convertible Bonds also represented an opportunity to enlarge and diversify the shareholder base of the Company, improve the liquidity position of the Company and reduce the financing costs of the Company.

- In October 2013, the Company enabled the offset of all relevant accumulated losses by reducing amounts standing to the credit of its share premium account, contributed surplus account and other reserves account. Accordingly, the Company is in a better position to declare dividends to its shareholders (the "Shareholders") at an earlier opportunity.

- Towards the end of the fiscal year, the Company submitted a formal application to the Stock Exchange for the transfer of listing of the ordinary shares of HK$0.01 each in the capital of the Company ("Ordinary Shares") from GEM to the Main Board, and was successfully listed on the Main Board on 11 February 2014 (the "Transfer of Listing"). We believe that the Transfer of Listing will contribute to enhance the Company's profile and increase the trading liquidity of the Ordinary Shares. Besides, the listing on Main Board will benefit the future development, financial flexibility and business development of the Group.

- Further strengthened the cooperation with China National Petroleum Corporation and Sinopec Limited and achieved considerable development in gas supplies coordination, purchasing procedures and gas allocation and delivery.

## FINAL DIVIDEND

The Board has recommended a final dividend of HK$0.005 cent per Ordinary Share for the year ended 31 December 2013 (nine months ended 31 December 2012: Nil), amounting to HK$30,384,114.20 according to the number of existing issued Ordinary Shares.

The dates of closure of register of members of the Company for the purpose of determining the identity of the holders of Ordinary Shares shareholders entitled to receive the final dividend and payment date of the final dividend will be announced later.

## BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services and the sale of LPG and piped gas.

### Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 31 December 2013, the length of the Group's total gas pipeline networks was approximately 1,663 kilometers, representing an increase of 174 kilometers of the pipeline networks from 1,489 kilometers as at 31 December 2012. For the year ended 31 December 2013, the connection service fees received by the Group amounted to approximately HK$535,047,000, representing an increase of HK$259,919,000 or 94% and an increase of HK$168,210,000 or 46% compared to HK$275,128,000 for the nine months ended 31 December 2012 and the annualized amount of HK$366,837,000 for the year ended 31 December 2012 respectively.

### Piped Gas Sales

For the year ended 31 December 2013, consumption of piped gas by residential and industrial customers amounted to approximately 2,144 x $10^6$ and 12,712 x $10^6$ mega-joules respectively, as compared to 1,234 x $10^6$ and 7,461 x $10^6$ mega-joules respectively for the nine months ended 31 December 2012. During such period, the piped gas sales income of the Group amounted to HK$1,399,582,000, representing an increase of HK$654,315,000 or 88% and an increase of HK$405,893,000 or 41% compared to HK$745,267,000 for the nine months ended 31 December 2012 and the annualized amount of HK$993,689,000 for the year ended 31 December 2012 respectively. The increase in large scale industrial users caused an appreciable escalation in gas consumption.

### Property Development

As the real estate business does not match the Group's strategic direction which has been focusing on the development of the gas business, and taking into account the impact of control policy of the Mainland China on real estate business, the Group plans to dispose of the property under development.

## FINANCIAL REVIEW

### Gross Profit Margin

For the year ended 31 December 2013, the gross profit of the Group was HK$459 million (for the nine months ended 31 December 2012: HK$232 million and the annualized amount for the year ended 31 December 2012: HK$310 million) and the gross profit margin for the Group was 21% (for the nine months ended 31 December 2012: 19% and the annualized amount for the year ended 31 December 2012: 19%). The increase in gross profit margin was mainly due to the change in revenue structure of the Group. For the year ended 31 December 2013, the connection service fees, which contributed more gross profit, increased by 94% and 46% compared with the nine months ended 31 December 2012 and the annualized amount for the year ended 31 December 2012.

### Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2013 was HK$168 million, representing an increase of HK$64 million or 62% and an increase of HK$29 million or 21% compared to HK$104 million for the nine months ended 31 December 2012 and the annualized amount of HK$139 million for the year ended 31 December 2012 respectively. Management cost comprising labor cost increased as the Group further expanded its business scope.

### Profit attributable to owners of the Company

For the year ended 31 December 2013, the profit attributable to owners of the Company was approximately HK$136 million, comparing to HK$90 million and HK$120 million for the nine months ended 31 December 2012 and the annualized amount for the year ended 31 December 2012 respectively.

Basic earnings per share for the year ended 31 December 2013 was HK1.2 cents, as compared to HK0.8 cent and HK1.0 cent for the nine months ended 31 December 2012 and the year ended 31 December 2012 (annualized) respectively.

### Liquidity and financial resources

As at 31 December 2013, the total borrowings of the Group were HK$1,761,835,000 (as at 31 December 2012: HK$1,656,394,000) and the cash and bank deposit of the Group was HK$691,454,000 (as at 31 December 2012: HK$849,305,000), which included cash and cash equivalents of HK$685,086,000 and pledged bank deposits of HK$6,368,000. As at 31 December 2013, the Group had consolidated current assets of HK$1,493,987,000 and its current ratio was approximately 1.12. As at 31 December 2013, the Group had a gearing ratio of approximately 208%, measured by the ratio of total consolidated borrowings of HK$1,761,835,000 to consolidated total equity (includes all capital and reserves of the Group excluding non-controlling interests) of HK$847,663,000.

**Borrowings Structure**

As at 31 December 2013, the total borrowings of the Group were HK$1,761,835,000 (as at 31 December 2012: HK$1,656,394,000). Borrowings from Hong Kong syndicated banks of HK$464,661,000 were denominated in HKD, secured by the Company's guarantee and interests in certain of the Group's subsidiaries, bearing interests at a floating rate. Borrowings from Standard Chartered Bank of US$34,256,000 were denominated in USD, secured by the Company's guarantee, bearing interests at a floating rate. Borrowings from PRC banks were denominated in RMB, unsecured, bearing interest at prevailing market rates. The bonds of RMB500,000,000 were issued at an issue price of 100 per cent., bearing interest at a rate of 6.50 per cent. The outstanding Convertible Bonds of HK$309,000,000 were issued at an issue price of 100 per cent. of the issued size and were unsecured, bearing interest at a rate of 1.00 per cent. As at 31 December 2013, short-term borrowings and current portion of long-term borrowings amounted to HK$265,006,000, while the remaining were long-term borrowings falling due after one year or above.

**Directors' opinion on sufficiency of working capital**

In view of the Group's current stable financial positions and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present needs. Taking into account the expected financial performance and net cash to be generated from operation of the Group and the available banking facilities, the Directors believe that the Group is able to meet its liabilities as and when they fall due.

**Exposure to exchange rate fluctuations**

The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. Certain bank balances and bank borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risks and will consider hedging significant foreign currency exposure should the need arises.

**Interest Rate Swap Contract**

For the year ended 31 December 2013, the Group recognized a fair value profit on derivative financial instrument of HK$9,381,000 (for the nine months ended 31 December 2012: loss of HK$12,732,000), primarily attributable to the rise in the fair value of an interest rate swap contract entered into by the Group, which was impacted by the global economic instability during the year. In order to minimize the risk of rising interest rates and to control borrowing costs, the Group entered into an interest rate swap contract with Standard Chartered Bank London with an aggregate notional amount of HK$571,635,500 to control the future interest charges ("Swap Contract"). The deferred payment interest rate swap contract became effective on 30 September 2013 and will be terminated on 30 September 2018 ("Termination Day"). Pursuant to the Swap Contract, the Group will pay interest at a fixed rate at 2.25%, and will receive interest at floating rate with reference to the HIBOR as published by the Hong Kong Association of Banks. Prior to the Termination Day, any changes in the fair value of the Swap Contract will not have a significant impact on the Group's cash flow. In view of the market interest rates at historical lows, the fair value of the Swap Contract will be adjusted according to economic situation and interest rates. The Group believes that such arrangements are advantageous to the Group in the long run.

**Loss on fair value change in conversion option of the Convertible Bonds**

On 5 August 2013, the Company issued the Convertible Bonds of HK$310,000,000. The change in the fair value of the conversion option from 5 August 2013 to 31 December 2013 resulted in a fair value loss of HK$53 million, which has been recorded in the consolidated income statement for the year ended 31 December 2013.

**Charge on the Group's Assets**

As at 31 December 2013, the Group had pledged bank deposits of HK$6,368,000 (as at 31 December 2012: HK$31,074,000).

In November 2011, the Group entered into bank borrowings facilities of HK$622,400,000 with Hong Kong syndicated banks. The borrowings were secured by interests in certain of the Group's subsidiaries and guarantee by the Company.

Save as disclosed above, there were no charges on any of the Group's assets as at 31 December 2013.

**Completion of the Issue of Convertible Bonds**

On 25 July 2013, the Company announced the issue of Convertible Bonds of HK$310,000,000. The Convertible Bonds are convertible under the circumstances set out in their terms and conditions into Ordinary Shares at an initial conversion price of HK$0.3690 per Ordinary Share (subject to adjustments). Assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 840,108,401 Ordinary Shares (the "Conversion Shares"), representing approximately 14.02% of the issued ordinary share capital of the Company as at the date of such announcement. The Conversion Shares will be fully-paid and rank pari passu in all respects with the Ordinary Shares then in issue on the relevant conversion date. None of the Convertible Bonds were placed with connected persons of the Company. The net proceeds from the issue of the Convertible Bonds had been used by the Group for the payment of pipeline construction payables, the repayment of current borrowings and for working capital purposes.

The issue of the Convertible Bonds by the Company to the subscribers at an aggregate principal amount of HK$310,000,000 was completed on 5 August 2013.

As at 31 December 2013, the principal amount of HK$1,000,000 of the Convertible Bonds had been converted into 2,710,027 Ordinary Shares at a conversion price of HK$0.3690 per Ordinary Share.

**Asset Disposal Entrustment in Respect of Certain Former Subsidiaries**

TEDA HK through its wholly-owned subsidiaries was interested in certain former subsidiaries of the Group, which were acquired pursuant to the restructuring proposal for resumption of trading in the Ordinary Shares on GEM in 2009. On 27 September 2013, TEDA HK entered into an asset disposal entrustment agreement with Binhai Investment (Tianjin) Company Limited ("BITCL") (a wholly-owned subsidiary of the Company), pursuant to which TEDA HK engaged BITCL to dispose of assets comprising interests in 15 of such former subsidiaries of the Group.

Under the asset disposal entrustment agreement, TEDA HK agreed to pay 25.75% of the total consideration for such disposal to BITCL as commission. Based on the confirmed aggregate consideration of RMB58,241,000 for the disposal of such interest, the total commission payable to BITCL is RMB14,997,057.50.

**Reduction of the Share Premium Account, the Contributed Surplus Account and the Other Reserves Account**

On 9 October 2013, the Board announced that the Company proposed to (a) reduce an amount of HK$424,737,296 standing to the credit of its share premium account as at 31 December 2012 to nil; (b) reduce an amount of HK$43,456,235 standing to the credit of its contributed surplus account as at 31 December 2012 from HK$47,547,866 to HK$4,091,631; and (c) reduce an amount of HK$160,000,000 from the item "Others" standing to the credit of its other reserves account as at 31 December 2012 to nil (the "Reductions") and to apply the credit arising from the Reductions to set-off and eliminate the accumulated losses of the Company in the amount of HK$628,193,531 as at 31 December 2012 (the "Application"). A special general meeting was held on 8 November 2013 to consider the Reduction and the Application and a special resolution was passed to approve such matters.

The Company had been unable to declare and pay dividends while there were accumulated losses. The Reductions and the Application allowed the Company to eliminate all such accumulated losses, and as a result put the Company in a better position to declare dividends to the Shareholders at an earlier opportunity.

There can be no assurance that a dividend will be declared or paid in the future even though the Reductions and the Application had become effective.

**Contingent Liabilities**

As at 31 December 2013, the Group did not have any significant contingent liabilities.

**Prospects**

The Group is confident about a better development opportunity for the Company in the 2014 fiscal year.

The major work of 2014 includes the followings:

1. continuing to expand the gas markets in Tianjin Binhai New Area and nearby areas, focusing on attracting new large scale industrial clients, with the attempt to realize substantial development in Tianjin Binhai New Area;

2. carefully evaluating the condition and opportunity of companies in other cities, focusing on supporting the areas and subsidiaries with market potential to become new profit centres of the Company;

3. discussing and evaluating the development opportunities of gas industry, actively discovering valuable business opportunities in the gas industry chain;

4. further enhancing the corporate informatization level, improving the efficiency and effect of business operation through optimizing corporate management; and

5. further enhancing cooperation with the Shareholders, investors, government departments, creditors and other stakeholders to realize a win-win situation for all parties.

## EMPLOYEES

As at 31 December 2013, the Group had 1,463 employees (as at 31 December 2012: 1,375). For the year ended 31 December 2013, the salaries and wages of the employees was HK$108 million (nine months ended 31 December 2012: HK$60 million).

## REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rate, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the period will be distributed to reward the contribution of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc..

## TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

The Company applied for the transfer of listing of the Ordinary Shares from GEM to Main Board of the Stock Exchange on 28 November 2013. The approval-in-principle was granted by the Stock Exchange on 30 January 2014 for the Ordinary Shares to be listed on the Main Board and de-listed from GEM. Dealings in the Ordinary Shares on the Main Board commenced on 11 February 2014.

## CORPORATE GOVERNANCE

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, which is in the long term interest of the Group and the Shareholders. During the year ended 31 December 2013, in addition to non-compliance with the GEM Listing Rules A6.7, the Company had fully complied with the code provisions set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with Rule 5.28 of the GEM Listing Rules. The Terms of Reference of the Audit Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company. The main responsibilities of the Audit Committee include, but not limited to, the followings:

1. primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor;

2. monitoring the integrity of the Company's financial statements, the annual report and accounts, half-year report and quarterly report; and

3. reviewing the Company's financial controls, internal control and risk management systems.

The Audit Committee comprises four independent non-executive Directors, namely Mr. Lau Siu Ki, Kevin (chairman), Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Ip Shing Hing, *J.P.*. Mr. Lau Siu Ki, Kevin and Mr. Tse Tak Yin are qualified accountants.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2013 and has provided advice and comments thereon.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Trading of securities by Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the time frame and the number for securities approved.

All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2013.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

## ISSUANCE OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2013 will be published and despatched to the Shareholders on or before 30 April 2014.

## PRELIMINARY ANNOUNCEMENT OF THE RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the period. The work performed by PricewaterhouseCoopers in this respect did not constitute an engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accounts and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

By order of the Board
**Binhai Investment Company Limited**
**Gao Liang**
*Executive Director*

Hong Kong, 19 March 2014

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zhang Bing Jun and Mr. Gao Liang, five non-executive Directors, namely, Mr. Shen Xiao Lin, Mr. Zhang Jun, Mr. Dai Yan, Mr. Wang Gang and Ms. Zhu Wen Fang, and four independent non-executive Directors, namely, Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin.*